



## Paying for Victories Today to make sure North Dakota wheat growers remain Strong Tomorrow

The North Dakota Wheat Commission is seeking to increase the wheat checkoff from the present 1¢ per bushel (10 mills) to 1.5¢ (15 mills) per bushel. If approved by the state legislature, the increase would primarily be used to retire debt accumulated in legal challenges against unfair Canadian wheat trade, but would also make additional dollars available to address important domestic farm policy issues.

### Trade case holds imports to low levels

Trade actions brought forth by the North Dakota Wheat Commission are holding imports of Canadian hard red spring wheat to pre-NAFTA levels.

Disciplines on Canada's dumping and subsidization in the form of a 14 percent duty (about 50¢ per bushel) limited imports to 1.2 million bushels in marketing year 2003-04 (ended in May). Imports of spring wheat have been minimal so far in MY04-05.

Even durum imports were held down by the process of the case and an appeal that ended in August.

### Price response a tangible benefit for producers

The scrutiny on the Canadian Wheat Board and formal import restrictions have helped to push prices upward. This overall improvement in prices is especially notable since:

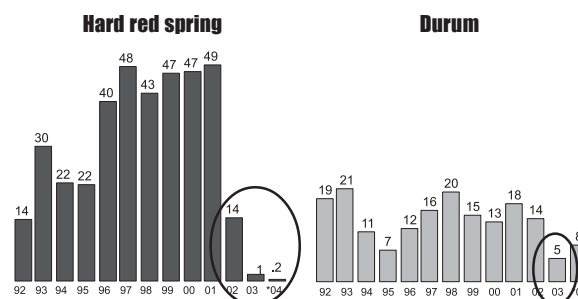
- 1) both the 2003 and 2004 crop sizes were well above average with near record yields in much of the state, and
- 2) higher ocean and rail freight costs have combined to take an extra 35¢ to 50¢ per bushel out of the net prices to producers beyond the norm.

### Durum producers see price increase from trade case

Although the U.S. International Trade Commission ultimately ruled against duties on imports of durum, the very filing of antidumping and countervailing duty cases and preliminary bonding requirements imposed in March and May 2003 effectively limited durum imports for a period of 12 to 18 months.

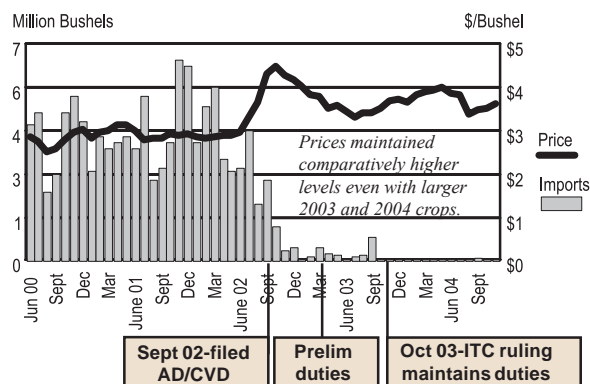
This process and the market uncertainty created for processors about future access to Canadian wheat prompted an overall uptick in prices. Duties on durum are no longer in place, but the returns to growers far exceeded the investment in legal fees.

### IMPORTS OF CANADIAN WHEAT MILLION BUSHELS



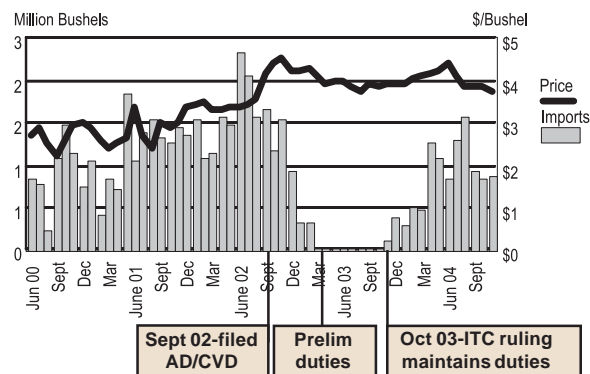
Source: U.S. Department of Commerce, Census Bureau  
\*MY04-05 includes months of June to Dec only

### MONTHLY CANADIAN HARD RED SPRING IMPORTS AND PRICES RECEIVED BY U.S. HRS PRODUCERS



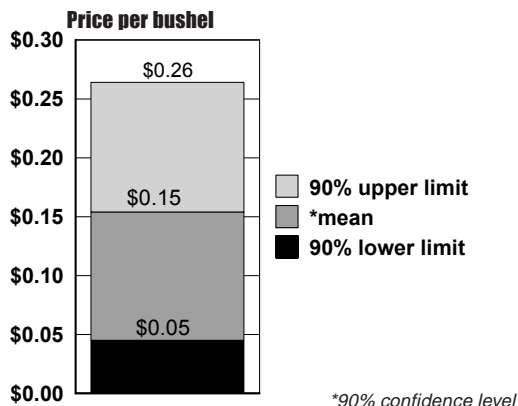
Sources: U.S. Census Bureau and National Agricultural Statistics Service

### MONTHLY CANADIAN DURUM IMPORTS AND PRICES RECEIVED BY U.S. DURUM PRODUCERS



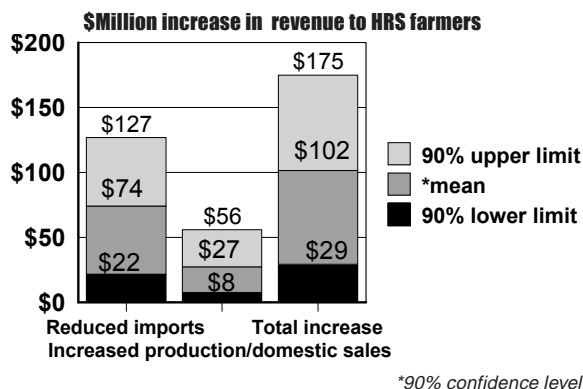
Sources: U.S. Census Bureau and National Agricultural Statistics Service

## ESTIMATED PRICE INCREASE FROM REDUCED IMPORTS OF CANADIAN HARD RED SPRING WHEAT



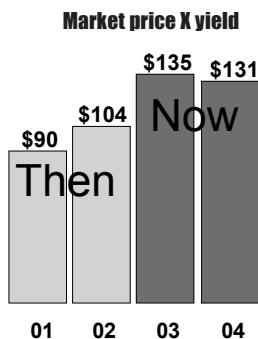
Source: Effects of Duties on Canadian Hard Red Spring Wheat (Mattson, Koo, Back), NDSU Department of Agribusiness and Applied Economics, February 2005

## ESTIMATED ANNUAL REVENUE INCREASE FROM REDUCED IMPORTS OF CANADIAN HRS



Source: Effects of Duties on Canadian Hard Red Spring Wheat (Mattson, Koo, Back), NDSU Department of Agribusiness and Applied Economics, February 2005

## NORTH DAKOTA WHEAT PRODUCTION GROSS RETURN PER HARVESTED ACRE



Source: North Dakota Agricultural Statistics Service  
Farm Reporter, Feb. 18, 2005

## New study pegs price impact at 15¢ per bushel

North Dakota State University issued a February 2005 study estimating that the substantial decline in imports of Canadian red spring wheat increased the spring wheat price received by farmers by 15¢ per bushel, with lower and upper ranges of 5¢ to 26¢ per bushel.

This new study only looked at the impact from October 2003 forward. The study's authors did not examine the market impact of the case filing in September 2002, nor the benefit of preliminary duties in place from March 2003 to October 2003, nor any of the positive impact for durum producers.

A similar study conducted by NDSU in 2003 estimated a price increase ranging from 8¢ per bushel to 45¢ per bushel from a lesser import restriction.

## Annual revenue increase estimated at \$102 million

NDSU ag economists estimate the price increase from reduced imports generates a \$74 million annual income increase (based on average yearly U.S. hard red spring wheat production of 481 million bushels). The price increase also leads to increased production and increased domestic sales of U.S. hard red spring wheat to replace imports, resulting in an additional \$27 million per year. The total estimated revenue increase is \$101.5 million per year.

North Dakota grows half the U.S. spring wheat crop, so it is safe to estimate \$50 million annually is going to this state's farmers. North Dakota can retain these benefits through 2008 if successful in fending off Canada's appeals under NAFTA of the duties imposed.

## Much is at stake, the time is now

There are many differences in the wheat situation now and the checkoff increase proposed in 2005 compared to a bill considered in 2003. First, going into the 2003 legislative session, farmers had harvested a drought-reduced crop of 216 million bushels, the smallest since 1988. Second, the 2003 legislation as proposed required 4 mills of a 5-mill increase be transferred to grower associations for domestic farm policy. Given these factors, there was likelihood of increased refunds, which may have left even less net revenue for trade issues, research or marketing. In 2005, the proposed legislation (HB1518) requires only 2 mills for farm policy and there is greater consensus on issues to be addressed.